2006 SECOND QUARTER REPORT TO UNITHOLDERS

Report to Unitholders

The North West Company Fund reports second quarter earnings to July 29, 2006 of $12.8 million, an increase of 18.5% over last year's second quarter earnings of $10.8 million. Diluted earnings per unit improved to $0.80 compared to $0.67 last year. The stronger Canadian dollar negatively impacted the conversion of Alaska earnings by $0.02 per unit.

Sales increased 8.1% to $232.6 million compared to the second quarter last year and were up 10.2% excluding the foreign exchange impact of a stronger Canadian dollar. On a same store basis, sales increased 2.5% and were up 4.4% excluding the foreign exchange impact. Strong food sales growth in our Canadian operations was the leading factor contributing to the sales increase in the quarter, more than offsetting soft general merchandise sales in Northern Canada and Alaska.

The Trustees have approved a three-for-one unit split. Unitholders will receive an additional two units for each unit owned on the record date of September 20, 2006. The unit split will make the unit price more affordable to retail investors which should enhance the liquidity of our units. The Trustees have also approved an increase in the quarterly distribution of 22.2% to $0.22 per unit on a split adjusted basis to unitholders of record on September 30, 2006.

On behalf of the Trustees and the Board of Directors:

"I. Sutherland"	"E. Kennedy"
Ian Sutherland Chairman	Edward S. Kennedy President and Chief Executive Officer

Management's Discussion & Analysis

CONSOLIDATED RESULTS

Second quarter consolidated sales increased 8.1% (4.4% on a same store basis excluding the foreign exchange impact) to $232.6 million compared to $215.1 million in 2005. The stronger Canadian dollar reduced Canadian dollar-equivalent sales by $4.8 million. Food sales increased 8.1% and were up 5.7% on a same store basis excluding the foreign exchange impact. General merchandise sales increased 8.0% as a result of new stores in Canada and Alaska and were up 0.9% on a same store basis excluding the foreign exchange impact.

Cost of sales, selling and administrative expenses increased 7.7% to $208.2 million but decreased 34 basis points as a percentage to sales compared to the second quarter of 2005. New and non-comparable store expenses accounted for $12.0 million or 80.1% of the increase. Continued gains in staff productivity and lower debt loss expense helped to counter higher energy-related costs.

Trading profit[1] or net earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 11.7% to $24.4 million compared to $21.9 million in the second quarter last year. Sales growth and lower expenses as a rate to sales in Canada were the leading factors contributing to this improvement. Amortization increased $192,000 or 3.0% to $6.5 million. Amortization related to business acquisitions accounted for the majority of the increase. Interest expense increased 13.1% to $1.7 million due to higher interest rates compared to the second quarter last year which was partially offset by lower average debt outstanding in the quarter compared to last year. Income taxes increased 5.7% to $3.5 million but decreased 200 basis points to 21.4% compared to 23.4% in the second quarter last year. Canadian operations income tax expense benefited from the limited partnership structure implemented at the beginning of the quarter which resulted in a lower effective tax rate. Income tax expense was negatively impacted by approximately $610,000 due to a reduction in the future tax rates substantively enacted in the

[1] See Non GAAP Measures Section of Management's Discussion & Analysis

May 2006 federal budget which resulted in a reduction of the future tax assets.

Net earnings increased $2.0 million or 18.5% to $12.8 million. Diluted earnings per unit improved to $0.80 compared to $0.67 last year. The stronger Canadian dollar negatively impacted the conversion of Alaska earnings by $0.02 per unit.

Year-to-date sales increased 8.5% to $446.3 million compared to last year and were up 10.2% excluding the foreign exchange impact of a stronger Canadian dollar. Same store sales increased 3.3% and were up 4.9% excluding the foreign exchange impact. Food sales increased 8.6% and were up 6.4% on a same store basis excluding the foreign exchange impact led by strong sales in our Canadian operations. General merchandise sales were up 7.3% as a result of new stores in Canada and Alaska and were up 0.5% on a same store basis excluding the foreign exchange impact. The stronger Canadian dollar negatively impacted sales by $7.4 million.

Cost of sales, selling and administrative expenses increased 7.8% to $401.7 million but decreased 60 basis points as a percentage to sales compared to last year. New and non-comparable store expenses accounted for 71.5% of the increase.

Trading profit increased 15.4% to $44.6 million compared to $38.7 million last year. Strong food sales growth combined with lower expense rates as a percentage to sales in our Canadian operations were the leading factors in the trading profit improvement. Interest expense increased 8.4% to $3.3 million due to higher interest rates which was partially offset by lower average debt levels compared to last year. Income taxes of $5.8 million increased 29.0% over last year. The increase in income tax expense is due to higher first quarter earnings in Canada that were fully taxable as income tax deductions on interest paid by the Company to the Fund were maximized. Consolidated net earnings increased 21.7% to $22.5 million from $18.5 million last year. Diluted earnings per unit improved to $1.41 compared to $1.15 last year. The stronger Canadian dollar negatively impacted the conversion of earnings from Alaska by $0.02 per unit.

CANADIAN OPERATIONS

Canadian sales for the quarter increased 9.0% (4.9% on a same store basis) to $186.5 million compared to $171.0 million last year.

Food sales increased 8.3% in the quarter compared to last year (6.1% on a same store basis). In addition to the effectiveness of marketing programs initiated in earlier quarters, hot weather conditions had a net positive impact ranging from strong beverage sales to increased business supplying fire fighting crews. General merchandise sales were up 10.9% over last year and were up 1.8% on a same store basis. Sales in our Giant Tiger banner continued to accelerate and offset a weaker performance in Northern Canada. Footwear, outerwear, home furnishings and electronics delivered the biggest gains. Credit capacity in northern Canada continues to be a limiting factor for more discretionary, big-ticket general merchandise products.

Gross profit dollars increased 8.8% led by food sales growth. General merchandise gross profit dollars increased 5.8% but decreased as a rate to sales due to higher markdowns resulting from an ongoing initiative to streamline inventories. Operating expenses as a rate to sales decreased by 78 basis points as our stores continued to benefit from more efficient work processes and improved staff productivity which helped offset higher utility costs. Canadian trading profit increased 17.6% to $19.6 million or 10.5% of sales.

ALASKAN OPERATIONS (stated in U.S. dollars)

Alaska Commercial Company (AC) sales for the quarter increased 15.7% (2.0% on a same store basis) to $41.2 million compared to $35.6 million last year.

Retail food sales increased 20.9% (3.9% on a same store basis) as a result of new stores and continued sales growth in existing locations. Sales were strong across most categories with grocery, produce, and non-food categories having the largest dollar increase over last year. Retail general merchandise sales were up 2.0% as a result of new stores but were down 5.5% on a same store basis. Sales decreases in transportation, sporting goods and home furnishings were partially offset by modest sales growth in apparel categories. Higher energy expenses continue to be a factor in lower customer spending in the big ticket categories.

Quarterly sales at Frontier Expeditors (FE), AC's wholesale business, increased 5.5% over last year as FE made modest gains in new customer accounts.

Gross profit dollars were up 13.9% driven by food sales growth. Same store operating expenses increased 52 basis points as a percentage to sales primarily due to higher occupancy costs related to utilities and the clean-up of a heating oil spill at a store location. Trading profit increased 1.9% to $4.3 million or 10.3% of sales.

FINANCIAL CONDITION

Financial Ratios

The Fund's debt-to-equity ratio at the end of the quarter was .45:1 compared to .53:1 last year. The debt-to-equity ratio at January 28, 2006 was .46:1.

Working capital decreased $16.1 million compared to the second quarter in 2005 largely due to the increase in the current portion of long-term debt due June 15, 2007. The increase in cash is due to the timing of deposits in-transit and higher cash levels in our Canadian operations to support our financial services. The decrease in inventories is due to targeted reductions in slow moving general merchandise inventories in our Canadian operations which was partially offset by new stores opened in Canada and Alaska. Accounts payable and accrued expenses increased from the prior year due to longer payment terms with vendors and higher performance incentive accruals reflecting the strong earnings. The increase in the current portion of long-term debt is due to a principal repayment of $20.2 million due June 15, 2007.

Outstanding Units

The weighted average units outstanding for the quarter were 15,834,000 compared to 15,929,000 last year. The decrease is due to additional units purchased under the Company's Unit Purchase Loan Plan most of which were purchased during the third and fourth quarters of 2005. The weighted average fully diluted units outstanding for the quarter were 16,128,000 compared to 16,126,000 last year. The increase in the fully diluted units outstanding is due to units granted under the deferred unit plan.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities for the quarter increased to $21.0 million from $6.7 million last year. The increase in cash flow from operating activities in the quarter is due to higher earnings and a reduction in non-cash working capital primarily due to a decrease in inventories. The increase in cash paid for income taxes in the quarter compared to the second quarter last year is due to the Canadian operations not having to pay income tax installments until the third quarter of 2005 as a result of the utilization of tax losses carried forward from previous years. Although net earnings in the quarter increased $2.0 million from last year, cash flow from operations[1] decreased $100,000 to $19.2 million compared to $19.3 million in the second quarter last year due to a reduction in future income taxes. Cash flow from operations and unutilized credit available on existing credit facilities are expected to be sufficient to fund operating requirements, sustaining and growth-related capital expenditures, the long-term debt principal repayment due June 15, 2007 as well as all distributions for the year.

Cash flow used in investing activities in the quarter increased to $7.7 million from $6.0 million last year. The increase in investing activities is due to the acquisition of four stores on Prince of Wales Island, Alaska. Capital expenditures for 2006 are expected to be in the range of $35 to $40 million. These expenditures include store acquisitions, the opening of new gas outlets, the replacement of one large store in northern Canada and the opening of five Giant Tiger stores.

Cash used in financing activities in the quarter was $13.1 million compared to $4.0 million last year. The increase is due to an increase in distributions to unitholders and a decrease in bank advances and short-term notes.

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[1] See Non GAAP Measures Section of Management's Discussion & Analysis

OTHER HIGHLIGHTS

- The Board of Trustees has approved a three-for-one unit split to unitholders of record on September 20, 2006. The unit split will be done by way of the push out method whereby unitholders will receive two additional units for each unit held. Upon completion of the unit split, the number of units outstanding will approximate 48.4 million. The Fund's units are expected to commence trading on a split adjusted basis on September 18, 2006. The additional units should be mailed to unitholders on September 25, 2006. Unitholders holding their units through a broker will be credited for the additional units through the brokerage firm.

- Giant Tiger stores opened in Calgary, Alberta on June 24, 2006 and in Medicine Hat, Alberta on August 19, 2006.

REORGANIZATION

The Company has submitted its request for a ruling on the second step of the reorganization. The second step of the reorganization will change the flow of the earnings from the limited partnership to the Fund. The partnership units held by North West Company Inc. will be transferred to the Fund through a series of steps outlined in the Information Circular. The outcome will have most of the Canadian pre-tax earnings flow to the Fund. As a result of transferring most of the Canadian pre-tax earnings to the Fund, the Company will no longer have enough taxable income to realize its future tax assets and therefore, the balance of the future tax assets of the Canadian operations of approximately $6.5 million will be written off as a charge to earnings. The write-off of the future tax assets will be a non-cash expense and will not impact distributions. The timing of the completion of the second step, which is subject to receiving a satisfactory tax ruling and lender approvals, is expected to be three to six months.

UNITHOLDER DISTRIBUTIONS

The Trustees declared a quarterly cash distribution of $0.22 per unit on a split adjusted basis to unitholders of record on September 30, 2006 and distributable by October 15, 2006. This distribution represents a 22.2% increase over the previous quarterly distribution and reflects the impact of the transfer of the majority of the Canadian business assets to a limited partnership as announced in the first quarter report to unitholders. Further distribution increases are expected based on the Canadian earnings trend continuing or the completion of the second step of the reorganization. Specifically, subject to receiving a satisfactory tax ruling and assuming the present earnings trend continues, the increase in distributions will be $7 million to $10 million or $0.14 to $0.21 per unit on a split adjusted annualized basis.

OUTLOOK

Same store food sales are expected to lead sales and earnings growth in the second half but are also expected to slow somewhat as cost inflation pressures ease. General merchandise sales profitability is expected to improve through a focus on fresher merchandise and expected higher incomes in Alaska resulting from a higher Permanent Fund Dividend payment in the fall. New store additions will be a significant growth factor at AC throughout the balance of 2006 and will continue to contribute to Canadian performance.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information. Each quarter represents a 13-week period.

Operating Results-Consolidated

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
($ in millions)	2006	2005	2006	2005	2005	2004	2005	2004
Sales	$232.6	$215.1	$213.7	$196.2	$227.0	$209.9	$211.3	$197.0
Trading profit	24.4	21.9	20.2	16.8	24.1	21.5	22.7	21.2
Net earnings	12.8	10.8	9.8	7.7	12.2	10.6	12.2	11.0
Net earnings per unit:								
Basic	0.80	0.68	0.62	0.49	0.77	0.66	0.77	0.69
Diluted	0.80	0.67	0.61	0.48	0.77	0.66	0.76	0.68

Historically, the Company's first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting the Christmas selling period. Weather conditions are often extreme and can affect sales in any quarter. Net earnings are historically lower in the first quarter due to lower sales. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories.

ACCOUNTING STANDARDS IMPLEMENTED IN 2006

There were no new accounting standards implemented in this quarter.

NON-GAAP MEASURES

(1) **Trading Profit (EBITDA)** is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings, trading profit is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating trading profit may differ from other companies and, accordingly, trading profit may not be comparable to measures used by other companies.

A reconciliation of consolidated net earnings to trading profit or EBITDA is provided below:

	Second Quarter		Year to Date	
($ in thousands)	2006	2005	2006	2005
Net earnings	$ 12,759	$ 10,764	$ 22,526	$ 18,509
Add: Amortization	6,543	6,351	12,992	12,609
Interest expense	1,658	1,466	3,324	3,066
Income taxes	3,470	3,282	5,777	4,476
Trading profit	$ 24,430	$ 21,863	$ 44,619	$ 38,660

For trading profit information by business segment, see note 8 Segmented Information in the notes to the unaudited interim period consolidated financial statements.

(2) **Cash Flow from Operations** is not a recognized measure under Canadian GAAP. Management believes that in addition to cash flow from operating activities, cash flow from operations is a useful supplemental measure as it provides investors with an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investments. Investors should be cautioned, however, that cash flow from operations should not be construed as an alternative to cash flow from operating activities or net earnings as a measure of profitability. NWF's method of calculating cash flow from operations may differ from other companies and may not be comparable to measures used by other companies.

A reconciliation of consolidated cash flow from operating activities to cash flow from operations is provided below:

	Second Quarter		Year to Date	
($ in thousands)	2006	2005	2006	2005
Cash flow from operating activities	$ 21,024	$ 6,696	$ 33,439	$ 21,669
Non-cash items:				
Change in other non-cash items	89	5,093	76	4,520
Change in non-cash working capital	(1,945)	7,465	1,492	7,070
Cash flow from operations	$ 19,168	$ 19,254	$ 35,007	$ 33,259

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the unaudited interim period Consolidated Financial Statements and Notes to the unaudited interim period Consolidated Financial Statements which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and is in Canadian dollars. The information contained in this MD&A is current to September 7, 2006.

Forward-Looking Statements

This Quarterly Report for North West Company Fund, including Management's Discussion and Analysis (MD&A), contains certain forward-looking statements. Such statements relate to, among other things, sales growth, expansion and growth of the Company's business, future capital expenditures and the Company's business strategy. Forward-looking statements are subject to inherent uncertainties and risks including but not limited to: general industry and economic conditions, changes in the Company's relationship within the communities its serves and with its suppliers, pricing pressure and other competitive factors, the availability and costs of merchandise, fuels and utilities, the results of the Company's ongoing efforts to improve cost effectiveness, the rates of return on the Company's pension plan assets, changes in regulatory requirements affecting the Company's business and the availability and terms of financing. Other risks are outlined in the Risk Management section of the MD&A included in the Fund's 2005 Management's Discussion & Analysis and Consolidated Financial Statements report. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements. In evaluating forward-looking statements, readers should specifically consider the various factors, which could cause actual events or results to differ materially from such forward-looking statements.

CONSOLIDATED BALANCE SHEETS

(unaudited, $ in thousands)	**July 29 2006**	July 30 2005	January 28 2006
ASSETS			
Current assets			
Cash	**$ 20,671**	$ 13,351	$ 21,888
Accounts receivable	**65,478**	65,335	67,498
Inventories	**124,542**	130,002	124,551
Prepaid expenses	**4,608**	4,686	2,981
Future income taxes	**2,147**	2,138	1,824
Total Current Assets	**217,446**	215,512	218,742
Property and equipment	**181,973**	182,867	182,108
Other assets	**18,224**	16,678	17,306
Future income taxes	**5,937**	6,255	5,693
Total Assets	**$ 423,580**	$ 421,312	$ 423,849
LIABILITIES			
Current liabilities			
Bank advances and short-term notes	**$ 27,090**	$ 38,843	$ 27,041
Accounts payable and accrued liabilities	**59,995**	49,736	65,016
Income taxes payable	**4,734**	5,365	3,302
Current portion of long-term debt	**20,275**	104	108
Total Current Liabilities	**112,094**	94,048	95,467
Long-term debt	**63,541**	88,048	84,524
Asset retirement obligations	**1,332**	1,174	1,285
Total Liabilities	**176,967**	183,270	181,276
EQUITY			
Capital	**165,205**	165,205	165,205
Unit purchase loan plan (Note 4)	**(10,879)**	(5,904)	(9,965)
Retained earnings	**88,243**	73,911	83,133
Cumulative currency translation adjustments	**4,044**	4,830	4,200
Total Equity	**246,613**	238,042	242,573
Total Liabilities and Equity	**$ 423,580**	$ 421,312	$ 423,849

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited, $ in thousands)	**13 Weeks Ended July 29 2006**	13 Weeks Ended July 30 2005	**26 Weeks Ended July 29 2006**	26 Weeks Ended July 30 2005
SALES	**$ 232,642**	$ 215,124	**$ 446,333**	$ 411,361
Cost of sales, selling and administrative expenses	**(208,212)**	(193,261)	**(401,714)**	(372,701)
Net earnings before amortization, interest and income taxes	**24,430**	21,863	**44,619**	38,660
Amortization	**(6,543)**	(6,351)	**(12,992)**	(12,609)
	17,887	15,512	**31,627**	26,051
Interest	**(1,658)**	(1,466)	**(3,324)**	(3,066)
	16,229	14,046	**28,303**	22,985
Provision for income taxes (Note 6)	**(3,470)**	(3,282)	**(5,777)**	(4,476)
NET EARNINGS FOR THE PERIOD	**12,759**	10,764	**22,526**	18,509
Retained earnings, beginning of period	**84,192**	70,726	**83,133**	70,560
Distributions	**(8,708)**	(7,579)	**(17,416)**	(15,158)
RETAINED EARNINGS, END OF PERIOD	**$ 88,243**	$ 73,911	**$ 88,243**	$ 73,911
NET EARNINGS PER UNIT				
Basic	**$ 0.80**	$ 0.68	**$ 1.42**	$ 1.16
Diluted	**$ 0.80**	$ 0.67	**$ 1.41**	$ 1.15
Weighted Average Number of Units Outstanding (000's)				
Basic	**15,834**	15,929	**15,830**	15,943
Diluted	**16,128**	16,126	**16,127**	16,126

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, $ in thousands)	**13 Weeks Ended July 29 2006**	13 Weeks Ended July 30 2005	**26 Weeks Ended July 29 2006**	26 Weeks Ended July 30 2005
CASH PROVIDED BY (USED IN)				
Operating Activities				
Net earnings for the period	**$ 12,759**	$ 10,764	**$ 22,526**	$ 18,509
Non-cash items				
Amortization	**6,543**	6,351	**12,992**	12,609
Future income taxes	**(179)**	2,014	**(588)**	1,991
Amortization of deferred financing costs	**46**	46	**93**	93
(Gain)/Loss on disposal of property and equipment	**(1)**	79	**(16)**	57
	19,168	19,254	**35,007**	33,259
Change in non-cash working capital	**1,945**	(7,465)	**(1,492)**	(7,070)
Change in other non-cash items	**(89)**	(5,093)	**(76)**	(4,520)
Operating activities	**21,024**	6,696	**33,439**	21,669
Investing Activities				
Business acquisitions (Note 5)	**(3,248)**	-	**(5,577)**	-
Cash held in escrow (Note 5)	**2,521**	-	**-**	-
Purchase of property and equipment	**(6,986)**	(6,600)	**(10,829)**	(10,575)
Proceeds from disposal of property and equipment	**4**	564	**67**	650
Investing activities	**(7,709)**	(6,036)	**(16,339)**	(9,925)
Financing Activities				
Change in bank advances and short-term notes	**(3,588)**	3,548	**53**	6,845
Net purchase of units for unit purchase loan plan	**(747)**	50	**(914)**	(1,475)
Repayment of long-term debt	**(19)**	(21)	**(40)**	(43)
Distributions	**(8,708)**	(7,579)	**(17,416)**	(15,158)
Financing activities	**(13,062)**	(4,002)	**(18,317)**	(9,831)
NET CHANGE IN CASH	**253**	(3,342)	**(1,217)**	1,913
Cash, beginning of period	**22,939**	16,693	**21,888**	11,438
Cash, end of period before cash held in escrow	**23,192**	13,351	**20,671**	13,351
Cash held in escrow	**(2,521)**	-	**-**	-
CASH, END OF PERIOD	**$ 20,671**	$ 13,351	**$ 20,671**	$ 13,351
Supplemental disclosure of cash paid for:				
Interest expense	**$ 2,914**	$ 2,624	**$ 3,269**	$ 2,915
Income taxes	**4,136**	554	**5,462**	832

See accompanying notes to consolidated financial statements.

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Presentations and Disclosures

The unaudited interim period consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These interim financial statements follow the same accounting policies and their methods of application as the 2005 annual financial statements, except as described below. Not all disclosures required by generally accepted accounting principles for annual financial statements are presented, and accordingly, the interim financial statements should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes included in the North West Company Fund's 2005 Management's Discussion & Analysis and Consolidated Financial Statements report.

2. Security Based Compensation

At the annual and special meeting on June 8, 2006, unitholders approved the implementation of a deferred unit plan for independent Trustees and Directors. The purpose of the deferred unit plan is to enhance the ability of the Fund and the Company to attract and retain independent Trustees and Directors whose training, experience and ability will promote the interests of the Fund and the Company and to directly align their interests with the interests of unitholders by providing compensation for services to the Fund and Company in the form of units. Participants will be credited with deferred units based on the portion of fees each participant elects to allocate to the deferred unit plan. Each deferred unit will entitle the holder to receive a unit of the Fund. The deferred units are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Director or Trustee. A participant may elect at the time of exercise of any deferred units, subject to the consent of the Fund, to have the Fund pay an amount in cash equal to the aggregate current market value of the units, determined based on the closing price of the units on the TSX on the trading day preceding the exercise date, in consideration for the surrender by the participant to the Fund the right to receive units from the exercising of the deferred units.

The aggregate number of deferred units granted to any single participant shall not exceed 2% of the issued and outstanding units calculated on an undiluted basis and the total number of deferred units issued to participants at any time under security based compensation arrangements of the Fund shall not exceed 10% of the issued and outstanding units.

The Fund has adopted the fair value method of accounting for security based compensation. The security based compensation expense recorded for the thirteen weeks ended July 29, 2006 is $119,000. The liability for the deferred unit plan is recorded in accounts payable and accrued liabilities on the Company's consolidated balance sheet and is adjusted to reflect the total number of deferred units outstanding multiplied by the closing unit price at the end of the period. The total number of deferred units outstanding at July 29, 2006 is 5,655. There were no deferred units exercised during the period.

3. Intangible Assets ($ in thousands)

The non-compete agreements included as part of the business acquisitions (see Note 5) are amortized on a straight-line basis over the term of the agreements which is five to ten years. The carrying value of these assets is reviewed periodically for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and will be written down to their fair value by a charge to amortization expense if a decline in carrying value is determined. Intangible assets are included in other assets on the Company's consolidated balance sheet.

	July 29, 2006		July 30, 2005	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Non-compete agreements	**$ 1,171**	**$ 143**	$ -	$ -
Net book value	**$ 1,028**		$ -	

Intangible asset amortization expense recorded in amortization on the Company's consolidated statement of earnings for the thirteen weeks ended July 29, 2006 is $143,000 (2005 - $0).

4. Unit Purchase Loan Plan

Loans issued to officers and senior management to purchase units under the unit purchase loan plan are treated as a reduction of equity. These loans are non-interest bearing and repayable from after tax distributions on the units purchased or if the person sells the units or leaves the Company. The loans are secured by a pledge of 244,829 units of the Fund with a quoted value at July 29, 2006 of $11,605,000. Loans receivable at July 29, 2006 of $10,879,000 (2005 - $5,904,000) are recorded as a reduction of equity. The loans have terms of three to five years. The maximum value of the loans under the plan is currently limited to $15,000,000.

5. Business Acquisitions

On May 1, 2006, the Company acquired the assets of four stores on Prince of Wales Island, Alaska for $3,248,000. Consideration included cash of $727,000 and cash held in escrow of $2,521,000. The acquisition has been accounted for by the purchase method of accounting and the results of the operations are included in the consolidated financial statements from May 1, 2006. The assets acquired were comprised of inventories of $1,462,000; property and equipment of $1,586,000; and intangible assets of $200,000. The intangible assets are included in other assets on the Company's consolidated balance sheet. The purchase price has been allocated to the acquired assets based on estimates of their fair values as at the closing date. The final allocation of the purchase price is dependant on certain ongoing valuations which may result in changes to the assigned values.

On March 8, 2006, the Company acquired all of the common shares of 1089140 Ontario Inc., a retail pharmacy in Moosonee, Ontario. The acquisition has been accounted for by the purchase method of accounting and the results of the operations of 1089140 Ontario Inc. are included in the consolidated financial statements from March 8, 2006. The net assets acquired were comprised of accounts receivable of $131,000; inventories of $398,000; property and equipment of $914,000; intangible assets of $971,000 and future income taxes payable of $85,000. The intangible assets are included in other assets on the Company's consolidated balance sheet. The purchase price has been allocated to the acquired assets based on estimates of their fair values as at the closing date. The final allocation of the purchase price is dependant on certain ongoing valuations which may result in changes to the assigned values.

6. Income Taxes

Certain interest amounts deducted by The North West Company Inc. are included as taxable income to unitholders of North West Company Fund upon distribution.

7. Employee Future Benefits

The Company's expense for employee future benefits is included in cost of sales, selling and administrative expenses. The expense for the defined benefit pension plan and the defined contribution pension plan for the thirteen weeks ended July 29, 2006 is $900,000 (2005 - $667,000) and for the twenty six weeks ended July 29, 2006 $1,800,000 (2005 - $1,335,000). The Company maintains an employee savings plan for substantially all of its U.S. employees and recorded an expense for the thirteen weeks ended July 29, 2006 of US$41,000 (2005 - US$35,000) and for the twenty six weeks ended July 29, 2006 of US$82,000 (2005 - US$74,000).

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS

8. Segmented Information ($ in thousands)

The Company operates predominantly within the retail industry in Canada and Alaska. The following information is presented for the two business segments:

	13 Weeks Ended July 29 2006	13 Weeks Ended July 30 2005	**26 Weeks Ended July 29 2006**	26 Weeks Ended July 30 2005
Sales				
Canada	$ 186,458	$ 171,007	$ 362,574	$ 330,065
Alaska	46,184	44,117	83,759	81,296
Total	$ 232,642	$ 215,124	$ 446,333	$ 411,361
Net earnings before amortization, interest and income taxes				
Canada	$ 19,639	$ 16,695	$ 37,044	$ 30,785
Alaska	4,791	5,168	7,575	7,875
Total	$ 24,430	$ 21,863	$ 44,619	$ 38,660
Net earnings before interest and income taxes				
Canada	$ 14,052	$ 11,322	$ 25,957	$ 20,153
Alaska	3,835	4,190	5,670	5,898
Total	$ 17,887	$ 15,512	$ 31,627	$ 26,051
Identifiable Assets				
Canada	$ 293,903	$ 300,971	$ 293,903	$ 300,971
Alaska	63,616	64,066	63,616	64,066
Total	$ 357,519	$ 365,037	$ 357,519	$ 365,037

9. Seasonality

The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns. As a result, a disproportionate amount of total revenues and earnings are typically earned in the fourth quarter. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

10. Subsequent Event

On September 7, 2006, the Board of Trustees approved a three-for-one unit split of the Fund's outstanding units whereby unitholders will receive two additional units for each unit held on the record date of September 20, 2006.

11. Comparative Amounts

The comparative amounts have been reclassified to conform with the current year's presentation.